

DURHAM, NORTH CAROLINA
Thursday April 29, 2010
1:00 p.m.

Pursuant to the proper notification, the Durham City Council held a special meeting on the above date and time in the Committee Room at City Hall with the following members present: Mayor Bell, Mayor Pro Tempore Cole-McFadden and Council Members Brown, Catotti, Clement and Woodard. Noes: None. Excused Absence: Council Member Ali.

Also present: City Manager Thomas Bonfield, City Attorney Patrick Baker, City Clerk D. Ann Gray and Assistant Community Development Director Larry Jarvis.

The special meeting was called to order by Mayor Bell.

[Excuse Council Member Farad Ali]

Motion by Mayor Pro Tempore Cole-McFadden seconded by Council Member Catotti to excuse Council Member Ali from the special meeting was approved at 1:05 p.m. by the following vote: Ayes: Mayor Bell, Mayor Pro Tempore Cole-McFadden and Council Members Catotti, Clement and Woodard. Noes: None. Absent At Time of Vote: Council Member Brown.

Council Member Clement asked that an additional item be discussed regarding a parade permit request by the Umbrella Coalition.

Subject: Use and Possession Agreement for the Community Family Life and Recreation Center At Lyon Park

To authorize the City Manager to execute the Use and Possession Agreement for the Community Family Life and Recreation Center at Lyon Park between the City of Durham and Calvary Ministries of the Westend, Inc.

City Attorney Baker negotiated a different termination clause in the agreement that he felt was more appropriate. He highlighted changes in the agreement in Section 6.2 and Section 20.

City Manager Bonfield commented on the use of space by the city [the dedicated space 5,074 square feet and the shared space 8,766 square feet].

City Manager Bonfield stated the intent of this agreement is that effective May 1, 2010 Calvary Ministries will be responsible for operating the Lyon Park Center. He said the city will be contributing \$181,000 to the total operation but Calvary Ministries will lease other space and generate income off of space in various ways.

Council Member Clement asked if the city is represented on the Board of Directors. He stated with the investment being made by the City annually there should be representation for the citizens.

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Rebecca Oaks, Executive Director for Calvary Ministries, stated that her board had suggested someone serve on the Calvary Ministries Board from the city. She reminded the council that Floyd McKissick at one time did represent the city on the board.

Council Member Clement suggested that the Mayor engage one member of the council to serve as a liaison to the board and as a member of the board.

Mayor Bell stated since there is a willingness from Calvary to have someone from council serve on the board, he recommended that Ms. Oaks put in writing the request for council representation on the board.

Council Member Brown stated he did concur with council representation on the board. After May 1st when Calvary Ministries takes over, Council Member Brown asked what happens if the operations are not up to the standards that we would have hoped for.

City Manager Bonfield stated in the agreement are the expectations that the standards would be the same for which they have been operating under, and if they fail to operate up to the standards, there would be a notice and the city would put its concerns in writing requesting they be addressed.

Rebecca Oaks stated they have been working with the City's transition committee and there is a commitment to continue to work in that spirit.

Council Member Clement asked about the number of tenants currently at Lyon Park.

Rebecca Oaks commented on the current tenants.

Due to funds being allocated by the City of Durham annually, City Attorney Baker recommended city representation as a council liaison rather than a member of council serving on the board.

Motion by Council Member Woodard seconded by Council Member Brown to authorize the City Manager to execute the use and Possession Agreement for the Community Family Life and Recreation Center at Lyon Park between the City of Durham and Calvary Ministries of the Westend, Inc. was approved at 1:28 p.m. by the following vote: Ayes: Mayor Bell, Mayor Pro Tempore Cole-McFadden and Council Members Brown, Catotti, Clement and Woodard. Noes: None. Excused Absence: Council Member Ali.

Subject: Rolling Hills/Southside Revitalization

To receive a presentation on Rolling Hills/Southside Revitalization.

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City Manager Bonfield stated the purpose of this item is to receive a staff report and recommendation. He stated he would hope that the council would feel comfortable moving this item forward for consideration at the May 3, 2010 City Council Meeting. The City Manager stated it was his recommendation, as well as Community Development, that the City Council authorize the City Manager to issue to McCormack, Baron Associates Development Corporation a conditional commitment of subordinate financing in the amount of \$5,486,468.00 for a rental development consisting of 119 mix-income units and 13-live-work units and a conditional commitment to fund the associated site preparation and infrastructure improvements at an amount not to exceed \$3,887,410.00.

Larry Jarvis, of the Community Development Department, presented a powerpoint presentation highlighting the following:

- A map of the Redevelopment Area
- Several pictures of dilapidated/boarded up homes in the area

Key Points

- While it has affordable housing elements, it is first and foremost a neighborhood revitalization project with the objective of attracting private, profit-motivated investment over the long term.
- Because of years of disinvestment, the neighborhood has more vacant and deteriorated properties than available local and federal funding can address.

Centerpiece of the revitalization strategy is phased “tipping point” project which consists of the following elements:

- Superior design elements and construction quality
- Mixture of rental and homeownership opportunities for a broad range of incomes
- Approximately 250 rental units and 40 homeownership units

Desired outcome is a catalytic effect resulting in:

- An additional 1,000 new residential units over the next six to eight years
- Accelerating the timing for Heritage Square and the redevelopment of Fayette Place

Mr. Jarvis presented maps showing the following:

- Consensus Plan
- Phase 1, of the mix-income Rental – 119 Units plus 13 Live/Work Units which fronts along Lakewood Avenue
- Site Plan and the buildings that would be in the first Phase
- Architectural styles and the building types in the first Phase [six unit walk-up building, a nine unit walk-up building and thirty-eight four story building]
- Phase 1, For Sale – 30 units

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- Phase 2, Rental – 115 units
- Phase 2, For Sale – 15 units

Mr. Jarvis presented the following Tipping Point Summary:

Component – Rough Grading of Rolling Hills site and Beamon Place, Cost \$2,514,510.00, Funding Source CDBG Section 108 loan

Component – Infrastructure to serve first phase of mixed income rental development on Rolling Hills, Cost \$1,372,900.00, Funding Source CDBG Section 108 loan

Component – Beamon Place acquisition, Cost \$805,000.00, Funding Source CDBG Section 108 loan – 20 year term

Component – Subordinate financing for first phase of mixed income rental development on Rolling Hills (132 units), Cost \$5,486,468.00, Funding Source - Funds derived from housing bond loan repayments & borrowed funds to be repaid from the HOME entitlement over a period of up to ten years

Component – Infrastructure to serve second phase of mixed income rental development on Rolling Hills & Beamon Place, Cost \$2,481,386.00, Funding Source CDBG Section 108 loan – 20 year term

Component – Subordinate financing for second phase of mixed income development (115 units), Cost \$4,589,323.00, Funding Source Borrowed funds to be repaid from the HOME entitlement – repayment period 10 years

Component – Subordinate financing for homeownership development (40 units), Cost \$2,527,280.00, Funding Source – Funded from the HOME entitlement over five years

Total Investment - \$19,776,867.00

Entitlement Financing Plan

CDBG Section 108 loan, \$7,153,796.00 – Repaid over 20 years from annual entitlements
HOME Bridge Loan, \$7,575,000.00, Repaid over 10 years from annual entitlements

Also, Mr. Jarvis presented information on the Rolling Hills/Southside Entitlement Fund Scenarios for CDBG and HOME for Fiscal Years 10-11 thru 13-20. He stated with regards to the CDBG, the only line item that is relative to the recommended action is the 108 loan debt service which would represent 26% of the entitled amount over a 20 year period, and with HOME initially for years 1 thru 5 about 41% of the HOME entitlement would be dedicated to repaying the bridge loan, then in years 6 thru 10 about 65% and year 11 [hypothetically redistribution of the funds having taken care of the debt service].

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Summary:

- Rolling Hills/Southside is an ambitious project and will require an equally ambitious commitment of funding
- The decision to target the necessary funding involves establishing priorities and making choices among many competing needs
- In terms of impact, the project could be of equal significance to the Durham Bulls Athletic Park

Recommended Actions

- Authorize the City Manager to extend conditional funding commitments associated with the May 14, 2010 submittal to the Housing Finance Agency
- Accept the financing plan for the project phases 1 and 2 (tipping point)

Larry Jarvis commented on the schedule going forward. He stated the final application is due to the Housing Finance Agency on May 14th with anticipated funding announcements (tax credits) in August 2010. He anticipated bringing a development agreement to council after the city council July break.

Kevin McCormack, President of McCormack Baron & Associates, stated they were excited to participate in this project. He commented on their experience in the development business, their track record to handle the Rolling Hills/Southside project and their firm managing properties. Also, he spoke on their commitment in working with all the stakeholders.

Assistant Community Development Director Larry Jarvis spoke on the process for the continuum of care monies.

Terry Allebaugh noted the various recipients of the continuum of care funds [Genesis Home, Housing for New Hope, Urban Ministries of Durham, Inter-Faith Hospitality Network and Durham Affordable Housing Coalition].

Kevin McCormack commented on the private dollars in this process [first mortgage funds, equity/principal source of that equity is low income housing tax equity and from foundations]. Also, Mr. McCormack spoke on who would own the buildings, the plan to maintain them over the life of the partnership.

The following questions were asked:

- What is the justification for conveying the land for the first two phases of rental development to MBA Development Corporation for the sum of \$1.00
- Why is there no equity investment from MBA
- Why is a 0% interest loan being requested from the City
- What is the initial and long-term ownership structure of the project

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- What has MBA done or what will it do to earn the developer's fee of \$800,000 for Phase One
- Why must the City provide infrastructure improvements at no cost to the project or to the developer
- To what extent will the development team include local professional firms and businesses
- Will the MBA affiliate have long term property management rights for the rental projects
- Are we (the City) negotiating from a position of strength or one of weakness
- Has the use of tax increment financing been considered

The administration will provide answers to the questions on or before May 3, 2010.

Council Member Brown spoke on the number of developers that Rolling Hills has had in past years and stated the City will be borrowing from future entitlements for years and to a large extent the City is cutting out other valuable non-profit entities to do one project. Mr. Brown asked what will the City get in return [119 rental units]. He stated more homeownership is needed.

Kevin McCormack stated this is the type of project which has not been successful in the past that his company specializes in handling. He stated the strategy they are looking at is to come in and create a critical mass of new construction where then - when people come in for sale they can see there has really been an investment a change in the neighborhood. Also, Mr. McCormack stated that the developer compensation they are talking about is fairly standard around the United States.

Mayor Pro Tempore Cole-McFadden spoke in support of the proposal. She listed several projects that the City supported in past years [DBAP; Durham Performing Arts Center; American Tobacco; West Village and Greenfire]. She also stated that this area is the gateway for North Carolina Central University and noted the construction improvements on NCCU's campus.

Council Member Clement stated he supported in concept the proposal for Rolling Hills/Southside; however, he stated the questions that have been raised need to be answered. He asked what will the taxpayers be receiving from this project and asked what will happen to CDBG and HOME funds [will all these funds be exhausted through this effort].

Council Member Catotti raised concern with the mixed between rental and homeownership. She questioned how will the city meet its goals for future homeownership if all funds are tied up with this one project. She stated since the area has a very low homeownership rate, how does the city meets its goal for homeownership which is critical. She asked if this was enough to tip the southside area because massive amounts of investment is needed in that community.

Dan Levine, of Self Help, commented on their contribution in the area [2.5 million dollars of their own equity over the past three years]. He stated they realized in order to have an impact in the southside area they needed to have site control over a large area.

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Terry Allebaugh thanked the Mayor and others for their vision of Rolling Hills; however, he stated if the financing plan for this project is approved they will not be able to meet the goals of the ten-year plan to end homelessness and homelessness will increase and instead the conversation will be on how can they expand the shelter.

Mayor Bell stated he did appreciate conversations about this project because it does represent a transformation in the approach the city will be taking. He said housing on the public side has been a shotgun approach in Durham and it has not worked well. Mayor Bell asked if this proposal is not approved, what is the alternative to the area that has been sitting in its current condition for years. Also, Mayor Bell stated he did not see wiping out all of the agencies that currently receive funding.

Council Member Woodard expressed the following concerns: 1) that the city would be making a change on how housing is done in Durham, 2) the council/administration not having an in-depth conversation about this change, 3) not seeing a long term housing plan and 4) the possible loss of momentum in other areas of the city without funding. He mentioned long range conversations that have taken place with recreations facilities, but conversations have not taken place regarding housing. He said that the last housing bond was done in 1996 and stated the city does not have a plan.

Mayor Bell stated this council did have a plan when they decided several years ago to look at certain neighborhoods [Northeast Central Durham, Southwest Central Durham and Rolling Hills area]. He stated the council made that commitment in terms of where to move next. He referenced the agencies listed and to continue their funding in the future represents ½ cents on the property tax and asked if council wanted to make that call. The Mayor stated he could not compare the agency listing with the magnitude of Rolling Hills/Southside.

Council Member Woodard stated identifying a location is one thing but the council has not had conversations on the funding source, and that is the type of discussion that should be figured into any long term plan.

Council Member Brown stated this was a business decision [is the city giving away too much]. He stated with the past history, the city could not afford to fail again with Rolling Hills.

Council Member Catotti inquired about the status of the master plan for the entire redevelopment area.

Larry Jarvis stated the redevelopment plan and redevelopment agreement should be available in August.

Ray Eurquhart, a member of the Steering Committee, stated the committee voted to move ahead with the project. He also said many of the concerns discussed by the council were raised by the committee, particularly the financing the total cost to the city, what will happen to the CHODS.

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Council Member Catotti stated since the Bulls Eye has been successful in Northeast Central Durham it should also be applied in the Southside area.

City Manager Bonfield stated he would have Chief Lopez during his budget presentation address that issue/what has already taken place relative to security in the area.

Mayor Pro Tempore Cole-McFadden asked the administration to provide additional information on goals for CDBG recipients and whether they met their goals.

Larry Hester raised concern that many of the taxpayers in the area have not been included in the process relative to the design standards; positioning them for success.

Mayor Bell commented on the community meeting he held in April where it was stated there would be opportunities to try and assist homeowners [they were looking at programs for that]. He stated it was an open meeting, notices were sent out, questions were taken and they are trying to respond to them the best they can. The Mayor stated the new design standards mentioned by Mr. Hester that the city is about to enforce is not accurate. The Mayor stated the meeting was for the citizens to ask any questions that wanted to ask.

Larry Hester stated from the very beginning citizens in the area have not been included in the process. He said the steering committee is pretty much loaded with city staff, the developer and with few people in the area participating on the steering committee. He mentioned no notification of the blight study and citizens in the area, who are taxpayers, not being made aware of the plan.

Mayor Bell stated we have done surveys, property owners in the area were notified, had open meetings, extended invitations and he did not know what else the city could do.

Ray Eurquhart stated the Southside area has been involved in the process since the early stages.

Jack Steer stated the city needs to have a very much business-like approach to this proposal. He stated the city is putting a lot of money in and future money in and his feeling was this is not going to leave the city enough room for a problem. He said if he was a business man and sinking money into a project, he would want to make sure if that project failed, it was not going to cause his business to fail. He raised concern with the proportion of rental vs. homeownership. Mr. Steer asked if was the intent of the council to make a decision on May 3rd, they should look at this more closely rather than let's go and let's do it.

Larry Jarvis addressed the difference between rental and homeownership and why rental is a key initial step in the area [re-establishing confidence in the area].

This item will placed on the agenda for the May 3, 2010 City Council Meeting for council consideration.

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[Other Matters]

Subject: Umbrella Coalition

Council Member Clement stated it has come to his attention that a number of students and teachers want to have a rally and march on April 30th at 2:30 p.m. & 3:30 respectively. He asked what could the city do to have the petition approved to facilitate the request for the Umbrella Coalition to march.

City Manager Bonfield stated the police department is meeting with some of the organizers and there is nothing to keep the individuals from marching from Hillside High School to the county commissioners' administrative office. He stated the question has been if there will be a police escort to do that. The City Manager said normally if someone makes a request for a parade permit it is accompanied by certificates of insurance, accompanied by expenditures for off duty police officers. The City Manager stated he would be calling Chief Lopez to get an update on the meeting with the organizers.

Mayor Bell stated he would hope a way could be found for them to march.

There being no further business to come before the council, the special meeting was adjourned at 4:22 p.m.

D. Ann Gray, MMC
City Clerk